

STANDARD MAIL AND PERIODICALS DESTINATION ENTRY COST MODELS

I. PREFACE

A. Purpose and Content

USPS-FY14-13 documents the destination entry cost avoidance estimates for Standard Mail and Periodicals.

B. Predecessor Document

Last year, the predecessor model for Standard Mail was presented in USPS-FY13-13, but the model has been updated in accordance with Docket No. RM2015-3, Proposal Ten.

The predecessor model for Periodicals was presented in Docket No. ACR2013, USPS-FY13-13.

C. Corresponding Non-Public or Public Document

There is no non-public document that corresponds to USPS-FY14-13.

D. Methodology

The Standard Mail and Periodicals destination entry cost models rely on the same methodologies presented in Docket No. RM2015-3, Proposal Ten and Docket No. ACR2013, USPS-FY13-13, respectively.

E. Inputs / Outputs

The Standard Mail destination entry cost avoidance estimates are calculated using the following inputs:

<u>Input Source</u>	<u>Input Description</u>
USPS-FY14-1	Standard Mail total pieces and pounds
USPS-FY14-7	Volume variability factors Premium pay factors Other mail processing wage rate Overhead factors
USPS-FY14-12	Productivity data Parcel mail characteristics data

USPS-FY14-14	Entry profile data by facility / container type Pieces per sack, tray, and pallet
USPS-FY14-24 USPS-FY14-25	Cost segment 8 piggyback factor Operations specific piggyback factors
USPS-FY14-32	Cost segment 8 and 14 data
2014 RPW	Basic Carrier Route pieces and pounds by shape
Docket No. R2000-1, USPS-T-27	Transportation adjustment factor
Docket No. R97-1, USPS-LR-H-105	Sacks per pallet Trays per pallet
Docket No. R97-1, USPS-LR-H-111	Flow path proportions
Docket No. R97-1, USPS-LR-H-195	Sacks per pallet Trays per pallet
Docket No. MC95-1, Exhibit USPS-T-9B	Flow paths

The Standard Mail destination entry cost avoidance outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY14-3. They are also used to develop the enhanced carrier route (ECR) cost estimates contained in USPS-FY14-18.

The Periodicals destination entry cost avoidance estimates are calculated using the following inputs:

<u>Input Source</u>	<u>Input Description</u>
USPS-FY14-1	Periodicals pieces per pound
USPS-FY14-7	Volume variability factors Premium pay factors Other mail processing wage rate
USPS-FY14-14	Pieces per sack and pallet Percentages in sacks and on pallets
USPS-FY14-23	MODS productivity data

USPS-FY14-25	Operations specific piggyback factors
Docket No. R2006-1, USPS-T-25, page 7	Volume percentage bypassing DADC
Docket No. R97-1, USPS-LR-H-111	Productivity data Container conversion factors Flow percentages
Docket No. R97-1, USPS-LR-H-132	Productivity data
Docket No. MC95-1, Exhibit USPS-T-11U	SCF mechanization percentage
Docket No. R94-1, Tr. 8/4006	NDC realization factor
Docket No. R90-1, Exhibit USPS-T-12B	Volume percentage flowing from NDC to SCF Volume percentage flowing from NDC to DU

The Periodicals cost avoidance outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY14-3.

II. ORGANIZATION

The Standard Mail transportation and non-transportation cost avoidance estimates by shape are presented in the Microsoft Excel workbook 'USPS-FY14-13.STD.xlsx' in the spreadsheet tab entitled 'Summary' (page 1). Data sources are referenced in each spreadsheet throughout the workbook. The results are also reported in Table 1 below.

**Table 1:
Standard Mail Destination Entry Cost Avoidance Estimates**

Cost Element	Letter Cost Per Pound	Flat Cost Per Pound	Parcel Cost Per Pound	Total Cost Per Pound
Transportation				
DDU	\$0.3912	\$0.3103	\$0.9429	\$0.3393
DSCF	\$0.3562	\$0.2703	\$0.7811	\$0.3006
DNDC	\$0.3138	\$0.2403	\$0.6056	\$0.2661
Non-Transportation				
DDU	\$0.0371	\$0.0125	\$0.0302	\$0.0208
DSCF	\$0.0194	\$0.0070	\$0.0143	\$0.0112
DNDC	\$0.0073	\$0.0037	\$0.0069	\$0.0049
Total				
DDU	\$0.4282	\$0.3229	\$0.9731	\$0.3601
DSCF	\$0.3756	\$0.2773	\$0.7955	\$0.3118
DNDC	\$0.3211	\$0.2440	\$0.6125	\$0.2710

The Periodicals non-transportation cost avoidance estimates are presented in the Microsoft Excel workbook 'USPS-FY14-13.PER.xlsx' in the spreadsheet tab entitled 'Summary' (page 1). Data sources are referenced in each spreadsheet throughout the workbook. The results are also reported in Table 2 below.

**Table 2:
Periodicals Destination Entry Cost Avoidance Estimates**

Cost Element	Cost Per Pound
Non-Transportation	
DADC	\$0.0059
DSCF	\$0.0294
DDU	\$0.0636